



FedFin Daily Briefing

Tuesday, December 13, 2022

Glimmers of 2023 Policy Emerge in HFSC FTX Autopsy

As [anticipated](#), today's HFSC session fixated on the intricacies of FTX's bankruptcy and former CEO Sam Bankman-Fried's arrest. Incoming Chairman McHenry (R-NC) supported the need for extensive regulation and new law but stressed separating the promise of crypto innovation from fraud committed by bad actors and again slammed the SEC's strategy of "regulation by enforcement." Mr. Gensler will, he said, appear "early and often" before HFSC in the new Congress. Reps. Sherman (D-CA) and Vargas (D-CA) attacked crypto as a "garden of snakes" in Mr. Sherman's words, criticizing Republicans for calling for a lighter SEC touch. Mr. Sherman also called for Congress not to pass the Senate Ag crypto bill due to Sam Bankman-Fried's involvement. Rep. Barr (R-KY) continued to question ESG ratings, pointing to an instance where a rating firm gave FTX a higher governance score than ExxonMobil.

FDIC Again Targets False Advertising, Logo Usage

Moving beyond its last effort at ending misrepresentation of deposit-insurance status ([see FSM Report DEPOSITINSURANCE112](#)), the FDIC Board [today](#) voted unanimously to issue for public comment a proposed modernization of how the FDIC logo is to be displayed and expand on prior efforts to block crypto firms from implying that they are insured. We will soon provide clients with an in-depth analysis of the NPR, which also follows a CFPB circular ([see FSM Report DEPOSITINSURANCE113](#)) on FDIC insurance status misrepresentations in May. The new approach would impose an array of requirements on IDIs with regard to new signage separating FDIC-insured deposit-taking from other activities and dictating how digital deposit-taking is to reflect FDIC coverage, also providing a new digital representation of the FDIC seal. Comments will be due sixty days after *Federal Register* publication.

Gruenberg, FDIC Nominees Set for Confirmation

As anticipated, Senate Banking today confirmed the Administration's slate of FDIC directors, positioning them for approval before adjournment and thus giving the agency a full board for the first time in years. Acting Chairman Gruenberg was approved 13-11, with Sen. Toomey (R-PA) voting for him despite strong objections likely to ensure final action this year on the entire slate. This also includes Travis Hill and Jonathan McKernan, two former GOP staffers to Senate Banking who were approved on voice vote. Once Mr. Gruenberg and the other directors are confirmed, we expect the FDIC to proceed to working hard with the banking agencies on new capital standards, crypto regulation, the CRA proposal ([see FSM Report CRA32](#)), and perhaps some form of action addressing Mr. Gruenberg's and CFPB Direct Chopra's concerns about the extent to which large banks are passing higher interest rates onto their lower-balance retail deposit customers. As we have noted ([see Client Report REFORM214](#)), there are no direct FDIC avenues to force higher deposit rates, but rhetoric from the agency combined with the threat of CFPB intervention could nonetheless pressure the industry.

Recent Files Available for Downloading

The following reports and analyses have been sent to retainer clients recently. Copies are also available to retainer clients on the Archives section of Federal Financial Analytics' website: www.fedfin.com or clients may

obtain the reports/analyses by e-mailing info@fedfin.com giving the requested item name, firm, and e-mail address. To learn more about *GSE Activity Reports*, click [here](#).

- **[CLIMATE15](#)**: Following the pattern set in 2021 by the OCC, the FRB has now proposed climate risk-management standards as high-level principles to guide banking organizations with assets over \$100 billion.
- **[GSE-120522](#)**: Making an important addition to the ongoing debate about Treasury-market liquidity, a new [paper](#) from the Bank for International Settlements provides sobering data on agency MBS liquidity with significant implications not only for secondary-market liquidity, but also primary-market stability.
- **[CRYPTO35](#)**: In the first Congressional review of crypto since the collapse of FTX, Senate Agriculture leadership largely defended the bill they produced, S.4760.
- **[CONSUMER44](#)**: Reviving what it calls “dormant” authority, the CFPB has finalized a proposed “procedural rule” expressly reiterating its right to govern an array of nonbanks and establishing procedures for making supervisory orders public.
- **[GSE-112122](#)**: As came out into the open [last week](#), FSOC will finally turn to rewriting the Trump era [rewrite](#) of the Obama Administration’s FSOC protocols regarding systemic financial institutions and activities.
- **[FINTECH31](#)**: As [promised](#), this report provides an in-depth analysis of [Treasury’s report and resulting recommendations](#) to the President’s Competition Council on the impact of new nonbank consumer-finance entrants from a competition, consumer-protection, and financial-stability perspective.
- **[REFORM215](#)**: HFSC today largely focused bank regulators on the same range of questions posed at yesterday’s Senate Banking session ([see Client Report REFORM214](#)).
- **[REFORM214](#)**: At today’s Senate Banking oversight hearing with the banking agencies, Chairman Brown (D-OH) generally applauded the work of regulators, emphasizing the need for tough standards, like-kind rules for bigtech companies, and an inquiry into why depositor interest rates lag Fed rate hikes along lines [posed](#) earlier by Sen. Reed (D-RI); FDIC Acting Chairman Gruenberg concurred, criticizing banks for sluggish rates.
- **[TMARKET3](#)**: Building on our [initial assessment](#), this report goes in-depth into the Treasury assessment of the market for its obligations and reforms necessary to avert another dash for cash.
- **[NBF12](#)**: As [promised](#), this FedFin report provides an in-depth analysis of the FSB’s latest policy on [nonbank financial intermediation](#).